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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002479

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SUBJECT: TAIWAN STONEWALLS PRC TOURISTS, PANDAS AND FRUIT

REF: A. TAIPEI 2076

1B. TAIPEI 2243

Classified By: AIT Deputy Director David J. Keegan, Reason 1.4 b

11. (C) Summary. Taipei continues to hold at arm's length Beijing's offers of accommodation conveyed during the Lien and Soong visits. Taipei officials insist that offers of tourism, pandas, and fruit be handled via government-to-government, or even virtual state-to-state (i.e., WTO), negotiations. President Chen Shui-bian's primary objective, however, is not these highly unlikely official negotiations, but rather to neutralize the enthusiasm over the Lien and Soong trips, cool the accompanying "China fever" in Taiwan, and restore his own shaken political leadership. Chen's criticism of Lien and Soong and stonewalling of Beijing appear to have squelched any cross-Straits momentum the two visits might have created. These two maneuvers, together with the Democratic Progressive Party (DPP) May 14 National Assembly election victory, have largely restored Chen's unchallenged leadership of the DPP and control of cross-Straits relations. Chen has pledged that after the KMT Chairman change in July, there will again be forward movement on inter-party conciliation and cross-Straits relations. The appointment over the weekend of former DPP Secretary General Chang Chun-hsiung as Chairman of Taiwan's Straits Exchange Foundation (SEF), however, probably seals the fate of SEF as a venue for negotiations; though a senior party official, Chang has little experience with or apparent interest in cross-Straits relations. Rather, Chen is reportedly still interested in establishing a cross-Straits peace and development commission with opposition party representation, but not leadership. End Summary.

12. (C) In late May, President Chen Shui-bian seized on PRC opposition to Taiwan's bid for observer status at the World Health Assembly in Geneva as proof the Lien and Soong visits achieved nothing and Mainland China continued hostile toward Taiwan. A few days later, Chen declared Taiwan's opposition visit-induced "China fever" finished. DPP Deputy SecGen Yan Wan-chin told AIT that Chen's primary objective was to counter the opposition trips and to neutralize the intra-party criticism he confronted in a May 6 DPP meeting (see Ref A). Only then could Chen recover the positive trajectory in cross-Straits relations derailed by the PRC Anti-Secession Law in mid-March.

13. (C) Chen's effort to block cross-Straits exchanges stemming from the Lien and Soong visits has been reinforced by the hard line Mainland Affairs Council (MAC) and the more conciliatory Premier Frank Hsieh. MAC has repeatedly intervened to insist on government-to-government talks before any of PRC proposals can be realized. Hsieh has followed a more accommodating line, initially welcoming Beijing's announcements but subsequently hardening his stance to stay in line with Chen's campaign to negate the opposition party visits.

14. (C) Taipei has played the recalcitrant suitor to Beijing's public offers over the past two weeks:

-- Tourists: Premier Hsieh welcomed Beijing's May 20 announcement that it would allow PRC citizens to visit Taiwan. MAC Chair Joseph Wu (Chao-hsieh), however, quickly weighed in declaring that government-to-government talks were necessary before PRC nationals could visit Taiwan. The 2005 Chinese New Year charter flights, he claimed, could not serve as a model because tourism involves the work of many government agencies (a claim that DPP Deputy SecGen Yan disputed; see para 5 below).

-- Pandas: Premier Hsieh similarly welcomed Beijing's June 1 announcement that preparations are underway to send pandas to Taiwan but added the caveat that Taiwan will handle the panda issue in accordance with international conservation and endangered species regulations. Pro-independence hardliner Gary Tseng (Tien-tzu), Director-General of the Presidential Office Special Affairs Department, however, told AIT there is no support in the Presidential Office for allowing pandas, the national symbol of China, into Taiwan; they would not be refused outright, he noted, just postponed indefinitely by

regulatory injunctions. Dep SecGen Yan, on the other hand, told AIT that it is just "deep Green" DPP hardliners who oppose the pandas.

-- Fruit: MAC Chair Wu rejected Beijing's June 1 announcement of duty-free import of 15 kinds of Taiwan fruit into Mainland China, insisting there must first be negotiations either between Taiwan and PRC officials or under the WTO framework.

15. (C) Over the weekend, President Chen appointed former DPP SecGen Chang Chun-hsiung as Chairman of Taiwan's Straits Exchange Foundation (SEF), replacing the inimitable Koo Chen-fu who led cross-Strait negotiations for Taiwan in the 1990's. Noting that Chang has little experience with or interest in cross-Strait relations, Deputy SecGen Yan, himself a former SEF Deputy Director, told AIT that SEF's "time has passed" and future cross-Strait negotiations must follow some variation of the 2005 Chinese New Year charter flight model (direct negotiations between relevant private organizations with low-level government involvement). Yan surmised to AIT that, with the opposition cross-Strait initiative largely sidelined, Chen might resurrect his earlier idea of an inter-party "cross-Strait peace and development commission" as a mechanism for developing inter-party Taiwan consensus on cross-Strait issues.

16. (C) Comment: The Chen administration is currently obstructing the efforts of both Pan-Blue opposition parties and Beijing to facilitate cross-Strait exchanges. While Chen would be more than happy to leverage Beijing's conciliatory mood into official or government-to-government negotiations, he has a larger and more immediate goal: to discredit the Lien and Soong China trips, neutralize the "China fever" in Taiwan, and restore his own leadership of both DPP and the cross-Strait process. Chen has made considerable headway on all three fronts, effectively removing the "China fever" pressure for cross-Strait progress and giving himself room for maneuver. He told a small gathering of DPP legislators on May 25, and Senator Rockefeller on May 31 (reported septel), that the July change in KMT leadership should improve the prospects for inter-party cooperation on domestic and cross-Strait issues. If so, Chen's preferred venue for negotiation will likely be, not the moribund SEF, but his idea of an inter-party cross-Strait peace and development commission.

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